



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Adopt Resolution Authorizing the City Manager to Enter into a Letter of Agreement between the City of Lodi and Scientific Specialties, Incorporated for the Sale of Designated Municipal Electric Distribution Facilities (\$36,983)

MEETING DATE: October 20, 2010

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Adopt a resolution authorizing the City Manager to enter into a Letter of Agreement between the City of Lodi and Scientific Specialties, Incorporated for the sale of designated municipal electric distribution facilities in the amount of \$36,983.

BACKGROUND INFORMATION: Scientific Specialties, Incorporated (**SSI**) has asked the Lodi Electric Utility Department (EUD) to convert the existing secondary (480 volt) account to primary (12,000 volt) service. With primary service, the stated rate is lower, but the customer becomes responsible for the cost of electrical losses in the transformer and other equipment between the new primary metering point and the old low voltage point, as well as the cost for maintenance and replacement of that equipment.

SSI would buy the existing secondary distribution equipment and one transformer, and replace one secondary meter with one new primary electric meter. **SSI** will pay the EUD \$36,983 for the existing facilities and for EUD labor, materials and equipment to install the new meter and make upgrades requested by **SSI**. As stated above, **SSI** will become responsible for future maintenance and replacement of the transferred equipment and its electrical losses.

The proposed arrangement conforms to past practice and City Council-approved Electric Rules and Regulations. Over the past several years, the City has engaged in similar primary-metered projects with CertainTeed Corporation, Lodi Iron Works, Ralcorp/Cottage Bakery, and Schaefer Systems International.

It is anticipated that this project will be completed by January 15, 2011.

FISCAL IMPACT: The initial sale of facilities and services will result in revenue to the EUD in the amount of \$36,983. The primary rate is approximately 4 percent lower than the secondary rate; however, this lower rate is offset for EUD by reduced energy losses, maintenance and replacement expenses. Net fiscal impact is insignificant to EUD.

FUNDING: Not applicable.


Elizabeth A. Kirkley
Electric Utility Director

Prepared By: **Rob** Lechner, Manager, Customer Service & Programs

APPROVED: 
Konradt Bartlam, Interim City Manager

LETTER OF AGREEMENT: SALE OF MUNICIPAL FACILITIES

BETWEEN

THE CITY OF LODI

AND

SCIENTIFIC SPECIALTIES, INCORPORATED

This Letter of Agreement (LOA) is between the City of Lodi (COL) and Scientific Specialties, Incorporated (SSI). By way of this signed LOA, SSI agrees to purchase and maintain designated electric utility facilities as identified on the attached Appendix A.

In summary, SSI will purchase from COL designated overhead electric distribution facilities located at the customer's plant site of 1310 E. Thurman Street, as well as one transformer. In addition, SSI agrees to compensate the COL for all required labor, materials, and equipment costs to install said equipment, including but not limited to all necessary primary metering equipment.

In purchasing the aforementioned equipment (transformer and overhead electric distribution facilities) SSI also agrees that, henceforth, SSI becomes responsible for said equipment and to pay for ~~all~~ maintenance, repairs and replacements necessary for maintaining said equipment in good and safe working condition and SSI becomes responsible for any electrical losses within the designated electric utility facilities.

The total purchase price of the equipment and associated labor costs listed on Appendix A is in the amount of \$36,983. *Note: in the event that the labor required to perform this project occurs outside of COL normal operating hours (generally 7:00am to 4:30pm Monday through Thursday, 7:00am to 3:30pm some Fridays, excluding holidays), SSI will be charged any/all additional labor costs above and beyond the costs identified on Appendix A.*

SSI agrees to compensate the COL for the total amount listed in the LOA prior to completion of said project.

IN WITNESS WHEREOF, the parties hereto have entered into this Letter of Agreement dated October ____, 2010.

SCIENTIFIC SPECIALTIES, INC.

By: _____

Title: _____

CITY OF LODI

By: _____
Konradt Bartlam
Interim City Manager

ATTEST:

Randi Johl, City Clerk

APPROVED AS TO FORM:

D. Stephen Schwabauer
City Attorney



APPENDIX ' A

	Installation cost	Depreciated Allowance	Buy Out Cost/Total
Purchase existing plant & install additional facilities	\$1,891	\$895	\$996
Purchase padmount transformer	\$23,000	N/A	\$23,000
Labor and material costs to install primary metering equipment	\$12,987		\$12,987
Total			\$36,983

Depreciation for overhead material (OHM) based on **40** years service life.

Depreciation for padmount transformer based on 30 years service life.

The scope of work includes, but is not limited to:

- 1) Install one 12 kV 3-phase metering facility.
- 2)** Lower existing riser assembly.
- 3) Customer to install metering cabinet to City specifications, at the customer's expense.

RESOLUTION NO. 2010-178

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING
CITY MANAGER TO ENTER INTO A LETTER OF AGREEMENT
BETWEEN THE CITY OF LODI AND SCIENTIFIC SPECIALTIES,
INCORPORATED FOR THE SALE OF DESIGNATED MUNICIPAL
ELECTRIC DISTRIBUTION FACILITIES

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WHEREAS, Scientific Specialties, Incorporated (**SSI**) has one utility account assigned to the G4-secondary rate tariff; and

WHEREAS, SSI has asked the Lodi Electric Utility Department to convert the existing 480-volt secondary account to primary service at 12,000 V and, in order to accomplish this task, would buy the existing secondary distribution equipment and one transformer and replace one secondary meter with one new primary electric meter; and

WHEREAS, SSI will pay the City of Lodi Electric Utility Department \$36,983 for said facilities and labor to install the new meter and make upgrades requested by SSI. SSI will become responsible for maintenance and replacement of the transferred equipment and its electrical losses; and

WHEREAS, the proposed arrangement conforms to past practice and City Council-approved Electric Rules and Regulations; and

WHEREAS, staff recommends entering into the Letter of Agreement with **SSI** for the facilities and labor as outlined above, thus allowing staff to order the required primary metering equipment and related materials.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to enter into a Letter of Agreement between the City of Lodi and Scientific Specialties, Incorporated for the sale of designated municipal electric distribution facilities in the amount of \$36,983. This figure includes the purchase of one transformer, primary metering equipment and labor costs associated with the installation of said equipment, and upgrading the existing system to accommodate the customer's need.

Dated: October 20, 2010

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I hereby certify that Resolution No. 2010-178 was passed and adopted by the City Council of the City of Lodi in a regular meeting held October 20, 2010, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Johnson, Mounce, and Mayor Katzakian

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None


RANDI JOHL
City Clerk